

GENERAL INFORMATION CONCERNING GROSS REVENUE TAXES

-----ENTITIES SUBJECT TO GROSS REVENUE TAX and TAX LEVELS-----

PUBLIC UTILITIES are made subject to the gross revenue tax under the Public Utilities Act (PUA) [220 ILCS 5/2-202]. The definition of public utility as defined in the PUA [220 ILCS 3/105] includes gas, electric, water, sewer, and oil or gas pipeline utilities. Although electric public utilities are under Commission jurisdiction, Section 2-202 (c) exempts them from the gross revenue tax. Electric utilities became exempt from the Commission's gross revenue tax beginning August 1, 1998. From that time forward, the Illinois Department of Revenue collects the electric tax revenues which are deposited in the Public Utility Fund for use by the Illinois Commerce Commission.

Telecommunications providers are made subject to the gross revenue tax under the PUA [220 ILCS 5/13-101] in which telecommunication rates and services are made subject to certain articles and sections of the Public Utilities Act including sections pertaining to gross revenue tax. However, paging and cellular telecommunications services have been excluded from the gross revenue tax by the courts. In addition, digital subscriber line (DSL) service has been determined by FCC order to be an interstate service and, therefore, would not be subject to the gross revenue tax.

Tax Level - The gross revenue tax for public utilities as established under the PUA [220 ILCS 5/2-202] is at its maximum allowable level of .1%. The tax was increased to the maximum by rule as set forth in 83 Illinois Administrative code, Part 270.

ELECTRIC COOPERATIVES pay a gross revenue tax to the Commission as established in the Electric Supplier Act [220 ILCS 30/10.1].

Tax Level - The rate for gross revenue tax for electric cooperatives is .08% as established under the ESA [220 ILCS 30/10.3].

RAILROAD COMPANIES pay a gross revenue tax on intrastate revenues to the Commission as directed in the Illinois Commercial Transportation Law (ICTL) [625 ILCS 5/18c-1502]. This section of the ICTL makes railroads subject to the tax as set forth in the PUA [220 ILCS 5/2-202].

Tax Level - The rate for gross revenue tax for railroad companies is .15% as established in ICTL [625 ILCS 5/18c-1502].

----- DEFINITION OF GROSS REVENUE -----

The definitions of gross revenue for the various types of companies subject to the tax are as follows:

PUBLIC UTILITIES and RAILROAD COMPANIES

- PUA [220 ILCS 5/3-121] defines gross revenue which is subject to the gross revenue tax:

Intrastate revenues only are to be subject to the tax.

Sales of services to other public utilities (sales for resale) are excluded by this section from gross revenues.

This section excludes from gross revenue the charges added to customers' bills pursuant to PUA Sections 9-221, 9-221.1 and 9-222 (municipal taxes, taxes generally referred to as "excise" taxes paid to the Illinois Department of Revenue (except for telecommunications excise tax), and the gross revenue tax, itself, which is owed to the Commission).

The consideration received from business enterprises certified under PUA Section 9-222.1 of the Public Utilities Act is to the extent of such exemption and during the period in which the exemption is in effect excluded from gross revenue.

- PUA 220 ILCS 5/2-202 (c) states that gross revenue will not include revenue from electricity or from amounts paid by telecommunications retailers under the Telecommunications Municipal Infrastructure Maintenance Fee Act which is paid to the Illinois Department of Revenue.

ELECTRIC COOPERATIVES

The definition of gross revenue as applied to electric cooperatives under ESA [220 ILCS 30/10.2] means the consideration received for electricity distributed, supplied, furnished or sold to persons for use or consumption and not for resale and for all services rendered in connection therewith, including amounts received from minimum service charges, and shall include cash, services and property of every kind or nature, and shall be determined without any deduction on account of the cost of the service, product or commodity supplied, the cost of materials used, labor or service costs, or any other expense whatsoever.

----- DEDUCTIONS ON GROSS REVENUE TAX RETURNS -----

Expense deductions are not allowable for gross revenue tax. If gross revenue tax returns for public utilities are filed on a billing basis, companies may deduct uncollectable accounts. On gross revenue tax returns miscellaneous allowable deductions may include revenue from items which are not a part the companies' tariffs such as directory revenue, equipment sales, revenue from rental property, etc.